MILENA ALMAGRO
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COMPETITIVE STRATEGY
Business 4200, Winter 2026

SYLLABUS

Preliminary – Subject to changes
Updated January 5th 2026

A. COURSE OVERVIEW

The course applies microeconomics—mainly the economics of industrial organization—to analyze decisions managers face in business environments. It focuses on strategic decisions that drive profits.

The first half of the course takes a price theory approach to managerial decision-making. The actions of rivals are mostly assumed fixed, so we can isolate key tradeoffs that they face. The second half takes a game theory approach, in which managers' actions directly affect their rivals' payoffs, and vice versa.

Topics include pricing, positioning, patterns and determinants of cross-industry and within-industry profitability, entry and exit, vertical integration and boundaries of the firm (i.e. the "make or buy" decision), commitment, cooperation, deterrence, network effects, and multisided platforms.

The course is designed for students who are comfortable with microeconomics at the level of 33001.

B. TEACHING ASSISTANTS AND OFFICE HOURS

Haris Qureshi (hriazqureshi@uchicago.edu)will be the teaching assistant for the following sections:

- 42001-03, Monday 1:30-4:30pm, Harper C04
- 20900-01, Monday 5-7:50pm, Harper C04
- 42001-04, Tuesday 5-8pm, Gleacher 204

Please direct administrative and logistics questions (e.g., scheduling), or quick questions about the material to Haris Qureshi (hriazqureshi@uchicago.edu). For longer questions, I will hold regular 15-minute slots of office hours that can be booked via my webpage – www.milena-almagro.com. Unless otherwise stated, office hours will take place over zoom. If office hours are in person, I sit in office HC501.

C. COURSE MATERIALS

- Academic articles, news articles, and case studies on the course's Canvas website.
- Lecture slides on the course's Canvas website.
- Optional books:
  - Besanko, D., Dranove D,. Shanley, M., Schaefer S,. *Economics of Strategy,* Wiley, 7th edition.
  - Cabral, Luís. *Introduction to Industrial Organization*, MIT Press, 2nd edition, 2017.

The textbooks cover most of the core economics that we will use in the course. They are optional, though I strongly encourage them unless you are very strong in economics—in particular, in the economics of industrial organization.

You are responsible for all assigned readings, and everything brought up in class, both in lectures and cases. You are not required to go over optional materials before class, although we may discuss these during class.

I use slides for many components of my lectures, but I will also use an interactive "chalk-and-talk" style as well. If you miss class, then consult a peer who can fill you in on the material. If you have remaining questions, the TAs and I are of course here to help. I will typically distribute a version of my slides prior to each class. You are encouraged to take notes. I will provide complete lists of terms you should be familiar with ahead of both the midterm and final exams.

D. COURSE REQUIREMENTS AND GRADING

Grading will be based on: participation (35%), midterm (25%), and final (40%). I reserve the right to modify these by +/- 5% based on the progress of the course.

Class Participation

Participation in this course is **mandatory**. You need to participate to pass this course. Moreover, a necessary condition for getting an A or an A- is to have an excellent participation score. **Participation means being an active member of the class discussion**. Being in class taking notes or paying attention without contributing to the discussion does not count toward participation.

Moreover, class participation is essential to get the maximum benefit from the course. Your participation grade will be based on attendance and **on the quality** (not quantity!) of your contributions to class discussions. Class participation is recorded by the TAs in every section for which they follow these guidelines. If you are unsure about your participation grade, please email your TA.

I will assign study questions for each case which should serve as a guide to preparation. You should come to class prepared to give concise, persuasive answers backed up with evidence from the case, including responses to "cold calls." You are allowed and encouraged but not required to meet outside of class in groups to discuss and analyze the cases.

If on some occasion circumstances preclude you from preparing for or participate in discussion (but still enable you to come to class), let me know ahead of time.

Memoranda

Each week, one or more case questions will be indicated as the topic of a memorandum. Memos are optional but those who submit will be given grades to provide you with feedback. These memos are intended as a tool to help you prepare for class discussion and practice your reasoning.

You should prepare 2 pages of analysis and recommendations based on the indicated question(s), written as if for a major decision maker in the case. You may attach additional pages for graphs and numerical calculations to support your arguments. Please use standard font sizes and spacing.

You can work in small groups of 2-4 students from your section. Regardless of whether you work in a group or not, everyone should submit their own response on Canvas. Memoranda will be graded on a scale of 1-3, with 3 indicating outstanding work, 2 satisfactory work, and 1 poor work.

Midterm

The midterm will be an in-person closed-book handwritten exam on the first week of February 2026 during class time and in our usual room. It will consist of short answer questions and essay questions. It is a closed-book handwritten exam. I will discuss the format of the exam in more detail during weeks 2 and 3.

Final

The final will be given in the usual exam period on week 10 and will take place during our usual class hours and room. It is a closed-book handwritten exam, and will consist of short answer questions, essay questions, and model-based game theory questions. I will discuss what to expect for the model-based game theory questions a few weeks before the exam.

I have a no-reschedule policy. If you anticipate you cannot take either exam in person, I encourage you to enroll in another section. Under extenuating circumstances, you are allowed to take the exam in the following academic year during the Winter quarter.

E. POLICIES

- You are welcome to attend a section other than your assigned one on an occasional basis. If doing so, please email your TA and the TA of the section you will be attending instead. If you expect to be attending an alternate section regularly, you should change your registration through official channels.
- Please turn in your memos through canvas on time. If you have a technical issue uploading your memos, please reach out to your TA.
- Attendance is part of your participation grade. You can miss a maximum of two classes, but you need to notify your TA in advance to adjust your participation grade. Please email your TA and NOT me. I don't keep track of attendance or swapping sections, so your emails will be ignored.

- The information contained in the documents on the course site is confidential, privileged, and only for the use of the intended recipient and may not be used, published, or redistributed without the prior written consent of Milena Almagro.

F. HONOR CODE

Students enrolled in this class are expected to adhere to the terms of Booth's honor code. In this class, it involves, among other things:

- Students may not discuss a case or receive notes on a case that has not yet been discussed in class with students who have taken the class previously (either in another section or in a prior year).
- Students may neither solicit nor receive materials from students who took the course previously. This includes exams, cases, and all other course materials.
- Students may not share materials with students outside of class. This includes exams, cases, and all other course materials.
- For group memos, my expectation is that groups will hold a group meeting to analyze the case and perform an initial write-up. Further iteration on the memo by email is fine. If your group is unable to hold a group meeting some week then it is fine for some or all group members to submit individual work instead of group work. Putting your name on group work that you were not present for is a violation of the honor code.

G. Class Schedule and Readings

Classes meeting on Monday will observe MLK day and we won't be meeting on January 19th. To make up for the missing class, Week 9 will feature a guest speaker session happening on Tuesday March 3rd 5-9pm at the Gleacher center.

I. Industry and Firm-level Drivers of Profitability

Week 1 – Introduction to Competitive Strategy

Cases
▪ Moneyball
Readings: Articles and movie
▪ Hakes and Sauer (2006): "An Economic Evaluation of the Moneyball Hypothesis" ▪ Read "The Trading Desk" and/or watch the film "Money Ball"!
Optional Readings
▪ **Cabral:** Ch. 1, 2.1-2.2, 3.1-3.3 ▪ **Besanko:** Introduction and Economics Primer, pp. 1-28

Week 2 – Industry Analysis

Cases
▪ Cola Wars
Readings: Articles and podcast
▪ Porter: "Note on the Structural Analysis of Industries" ▪ Freakonomics – The Economics of Everyday Things: "Gas Stations"
Optional Readings
• Cabral: 4.1-4.3, 10.1-10.3 • Besanko: Ch. 8, Ch. 2 pp. 55-74

Week 3 – Competitive Advantage

Cases
▪ Walmart ▪ Aldi
Readings: Articles
▪ Ghemawat and Rivkin: "Creating Competitive Advantage"
Optional Readings
• Cabral: 3.5, Ch. 14 • Besanko: Ch. 9

Week 4: In-person Midterm covering Weeks 1-3 + Tuna Game

Readings:
▪ Tuna Game instructions

II. Strategic Interactions

Week 5 – Introduction to Strategic Interaction and Dynamic Pricing

Cases
▪ The US Airline Industry in 1995 ▪ American Airlines
Podcasts
▪ Planet Money: "How flying got so bad (or did it?)"
Optional Readings
▪ Cabral: Ch. 7.1 and 7.3 ▪ Besanko: Introduction and Economics Primer, pp. 29-33, Ch. 7 pp. 214-229

Week 6 – Entry and Entry Deterrence

Cases
▪ Ryanair
Optional Readings
▪ Cabral: Ch. 7.2 and Ch. 12 ▪ Besanko: Ch. 6

Week 7 – Network Effect I: Adoption

Cases
▪ Dropbox ▪ LinkdIn

Week 8 – Network Effects II: Platform Competition

Cases
▪ Uber vs. Lyft ▪ Nintendo

Week 9 – Network Effects III: Creating and Capturing Value

Invited guest lecture
▪ Angelo Orane-Hutchinson (Cornerstone)

Week 10 – In-person final exam